IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1944.

NO. 377

PRECISION INSTRUMENT MANUFACTURING COMPANY, KENNETH R. LARSON and SNAP-ON TOOLS CORPORATION,

Petitioners,

vs.

AUTOMOTIVE MAINTENANCE MACHINERY CO.,

Respondent.

BRIEF FOR RESPONDENT.

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STATUTES

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FOREWORD.

We refrain from including in this present brief an extended statement of the facts of the case, and we shall but briefly comment upon petitioners' "Concise Statement of the Case." For the moment we disregard its unwarranted conclusions, and its omissions of material facts, except to note the significant omission to mention the important fact that on two separate occasions respondent's attorney sought legal advice about going to the authorities, and was *cautioned against any such action.*

We prefer to stand upon the statement in the Court of Appeals opinion which petitioners' brief calls "its own version of the facts."* *No errors of facts in that "version"*

*That opinion, with supporting record page references, is printed in the Appendix to our Brief Opposing Petition for Writ of Certiorari.

are anywhere pointed out in petitioners' brief. Moreover, there is no conflict between the Court of Appeals' fact findings and those made by the District Court. The Court of Appeals simply drew a different conclusion from that drawn by the District Court, holding that the latter's conclusion was not supported by the found facts.

Commenting briefly upon petitioners' "Specification of Assigned Errors to Be Urged" (P. B. p. 35) under numerals corresponding thereto:

1. There is no conflict "direct" or otherwise between the Court of Appeals' ruling in the case at bar and the decisions of this Court in the cited cases, the facts and circumstances whereof were wholly different from those of the instant case as we shall later point out.

2. The holding by the Court of Appeals was not baldly as petitioners' put it, but was as follows (R. 1220-1):

> "On March 27, 1943, at a pre-trial examination of Larson in open court, as requested by plaintiff, Larson admitted his perjury and thereupon Automotive's counsel called the court's attention to that fact. That admission, aside from the filing of the joint amended unverified answer of the defendants on February 8, 1943, and Snap-On's third amended petition for a declaratory judgment on March 1, 1943, verified by Alberts, was the only confirmatory evidence of Thomasma's story of which plaintiff had knowledge. * * * Prior to those dates plaintiff and its attorneys, of course, were morally certain that Thomasma's story was true, but they did not think that the uncorroborated evidence of their traitorous former employee would be accepted as against Larson's nine witnesses. This was Albert's opinion, as expressed in his letter to plaintiff's attorneys on December 19, and also the opinion of those disinterested persons whom plaintiff's counsel consulted. *Under these circumstances* we think it is clear that no duty devolved upon plaintiff to re-

port its information to either the District Attorney or the Patent Office. Certainly there was no active concealment, or misrepresentation, and after the court was informed, no duty rested upon plaintiff or its attorneys except to testify truthfully when called upon by the authorities."*

3. There is no conflict "direct" or otherwise between the Court of Appeals' use of the District Court's Memorandum, and the cited cases, since that Memorandum was not employed with any effect whatever to detract from or modify the District Court's *fact* findings with all of which the Court of Appeals agreed as we demonstrate by parallel column quotations at pp. 12 to 14, *infra*. It was only with respect to the matters of alleged threats and coercion and suppression of evidence that the Court of Appeals attached to Hobbs' testimony the full weight and credibility which the District Court attached to it and the District Court made no findings with respect to those matters and, in fact, made no finding as to credibility of any other witness on any issue.

4. It necessarily follows that the Court of Appeals has not violated Rule 52(a) nor construed it conflictingly with "numerous [or any] decisions of the Circuit Court[s] of Appeals."

"UNCLEAN HANDS."

Passing now to the question of respondent's "unclean hands" as *concluded* by the District Court, we cannot know whether certiorari was granted for review of the contrary conclusion by the Court of Appeals, so it would appear to be incumbent upon us to deal with that subject.

We first quote a passage (R. 1214-5) from the opinion of the Court of Appeals, having reference to respondent's

* Emphasis ours throughout unless otherwise indicated.

"remaining silent after securing the Thomasma affidavit" which occurred November 15, 1940:

> "On *November 18, 1940,* Automotive's attorney, Fidler, submitted to *an outside attorney of good standing and large experience the question as to whether he should submit the matter to either the Patent Office or the District Attorney.* He was then and there advised not to submit it at that time to either, as the Patent Office would not consider it until plaintiff's proofs were in, and the District Attorney would not touch it so long as the priority proceeding was pending. He further advised in effect that on account of *plaintiff's paucity of proof,* and the former disloyalty of its only witness, it could not hope to discredit the nine witnesses whose testimony had supported Larson's priority, and that a suit for damages by the defendants might ensue."

The first passage from the opinion of the Court of Appeals, quoted on page 2, 3, supra, bears directly upon respondent's continued silence up to Larson's admitting his perjury on pre-trial examination.

In addition to the "outside attorney" referred to in the second of the above quotations, Fidler had, on *December 7, 1940,* consulted attorney David O. Dunbar of Chicago, another of the "distinterested persons" referred to in the first quotation. We quote from his testimony on direct examination (R. 825-6):

> "Q. What was your conversation with Mr. Fidler?
>
> "A. Mr. Fidler told me at great length what the situation was and finally I asked him, 'Have you told me everything that has a bearing on it, so far as you know?' And he said he had, and I said, 'My opinion is we haven't any legal evidence upon which to base a conspiracy suit; we will get ourselves in lots of trouble, and we certainly do not have legal evidence to start a criminal prosecution.' He asked me why, and I told him I didn't think that any prosecutor would

open up a Grand Jury investigation, because there wasn't any sufficient public interest, and he also would be suspicious that we were trying to get him to use the criminal processes to develop evidence for us for our civil suit, and he would naturally go out and ask us to swear out an information, and we would have to base our suit, a criminal prosecution, on the evidence that this fellow Tosema or Thomasma and his relatives had told, and that he had betrayed his employer and was ~~not~~ now double crossing his associates, and I wouldn't put any credence in anything that he said, and I wouldn't base any prosecution on his testimony, and I certainly didn't want to get the company in a position where it might be sued for false arrest or defamation of character or malicious prosecution or any other charge, and the best thing for him to do in my mind was not to try it, and I was going to tell Mr. Wacker that Monday morning. That is the last I ever talked to Mr. Fidler about it."

On cross-examination he testified as follows (R. 827):

"A. I hadn't the slightest doubt in my mind but what this Tosema or Thomasma was telling the truth, but *to prove that legally would be a different thing*, and you would be checking on the truth of what he said, but *it wouldn't be evidence to my mind sufficient to prosecute a third party.*

"Q. That is, you couldn't get a prosecutor to step in because there wouldn't be sufficient public interest—

"A. He would ask us to swear out an information, a warrant, for these people, and we would have an arrest and they would be discharged because we couldn't support our information or warrant, and then we would be subject to suit for false arrest or defamation of character or malicious prosecution or anything else.

"Q. I understood you to say there wasn't any question in your own mind but what Thomasma's story was correct.

"A. I assumed that he was telling the truth, but *there wasn't any legal evidence to support it outside of his own statement.*"

It should be noted that attorney Dunbar was consulted *after* respondent and its attorneys knew of the willingness on the part of Larson to concede priority of invention to respondent's inventor Zimmerman, subject to certain conditions. At the December 2nd, 1940 conference between Hobbs, Haight and Fidler, Hobbs proposed to Fidler that Larson concede priority, and that respondent give a release for civil damages and license petitioners to fulfill existing commitments for wrenches. And on December 6th Hobbs wrote Fidler and Fidler wrote Hobbs about the proposition and a continuing royalty on orders received subsequent to the settlement (D. E. 63, R. 1045; P. E. 29; R. 873-4; R. 581-2, 607, 631-2, 775-77).

We next quote from the letter written by Alberts, the *petitioners'* attorney, to Lindsey, *respondent's* attorney, *just prior to the closing of the contracts*,—this being the letter referred to in the first above quotation from the opinion of the Court of Appeals where it reads, "This was Alberts' opinion, as expressed in his letter to plaintiff's attorneys on December 19":

"The *only* evidence leading to any wrongdoing thus far was given to Mr. Johnson and myself at your office on November 28, 1940. That evidence was given by an individual *who has already admitted that he has committed wrongdoings against your client*, himself, and Larson." R. 1064.)

* * * * * *

"I *certainly* do not regard Mr. Thomasma as an individual of such repute that his *uncorroborated words are deserving of being accepted hook, line and sinker.* Present corroboration of the competent type with sufficient competency to outweigh Larson and his corrob-

orators, and then your client is entitled to an award of priority." (R. 1066.)

Prior to writing this letter, Alberts had had the confession of Larson but withheld that information as no doubt the attorney-client relationship required, although that did not justify the deception or untruthfulness in the statement of the letter reading: "The *only* evidence leading to any wrongdoing *thus far* was given to Mr. Johnson and myself at your office on November 28, 1940." (Johnson was present when Larson confessed his perjury.) Charitably accepting Alberts' strained interpretation of what is above quoted from his letter, viz., as referring only to the evidence that was given to him and Johnson by Thomasma, nevertheless the letter was certainly most confirmatory of the opinions respondent had from the "disinterested" persons to whom the Court of Appeals refers as having advised respondent against going to the authorities on the basis of Thomasma's affidavit.

Certainly the "circumstances," including Dunbar's advice and Alberts' opinion, referred to by the Court of Appeals, were *not* "merely events that occurred long before the date of settlement" as asserted by petitioners in their brief on page 53.

It is also noteworthy that respondent's investigations respecting the suspected perjury were *continued for two weeks after the contracts were closed* and at an expense of $565.00 but without unearthing any conclusive evidence (R. 757-9).

At page 48 of their brief petitioners preach "several things Plaintiff could have and should have done," but are careful to omit the one very prudent thing that could have been done and *was done,* namely, taking counsel with competent legal advisers as to whether to go to the au-

thorities. Petitioners' attorneys apparently maintain that the advice against doing so, confirmed by one of their own members, Alberts, should have been disregarded!

Respondent's Alleged Knowledge Re Perjury.

We proceed now to answer petitioners' contention that respondent *did* have *positive* knowledge of the perjury much earlier than as conveyed by the pleadings and the admission by Larson on pretrial examination,—albeit this contention challenges the District Court's findings of fact, quite inconsistently with their contention that the Court of Appeals erred in rejecting, as they maintain, these very findings.

Petitioners did request findings of fact such as they now maintain would have been supported by the evidence, but the District Court did not adopt those findings. Thus petitioners' proposed finding No. 7 (R. 1119) read that Thomasma's affidavit "disclosed such intimate knowledge thereof [Larson's early work] as to leave *no* doubt of the author's knowledge of the facts." The District Court (R. 1123) substituted the word "*little*" for the word "no." And petitioners' proposed finding No. 11 read (R. 1120):

> "11. The proofs establish that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson's Interference proofs were *perjured.*"

The District Court's finding No. 11 reads (R. 1124):

> "11. The proofs establish that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson knew his interference proofs were *insufficient.*"

The sum and substance of petitioners' present contention is that positive knowledge by respondent of Lar-

son's perjury was conveyed to it by respondent's attorneys being told by petitioners' attorneys that Zimmerman was the prior inventor and by reason of Larson's willingness to concede priority of invention to Zimmerman.

No such finding was proposed by petitioners nor made by the District Court. However, we submit that it is without force in support of petitioners' dissatisfaction with the District Court's findings which fell short of finding that respondent had any such knowledge.

Neither petitioners' recognition of Zimmerman as prior inventor, nor their readiness to have Larson execute a formal concession of priority, could constitute a declaration of perjury. Subsequent events, and particularly the eventual admission of perjury, may well be taken as showing that this was the reason for willingness to concede priority to Zimmerman, but that could not operate retroactively to fasten knowledge of that perjury upon respondent. Neither would the fact that respondent suspected, and had good reason to suspect, that the concession was offered because of guilty knowledge have that effect. Hobbs was the one who originally proposed it and *he* had not been informed of the perjury confession, nor had he seen the Thomasma affidavit. Other reasons could have existed for recognizing Zimmerman as the one entitled to the patent, e.g., estoppel against Larson by reason of his delay in applying for patent and his being stimulated to do so upon learning of Zimmerman's wrench.

In fact, that matter certainly had been present in the minds of respondent's attorneys, and indeed, in the mind of Alberts, himself. Thus Larson in his preliminary statement alleged dates in the year 1934 for his first disclosure, first drawing and first reduction to practice. These dates are given in Fidler's letter to Wacker of August 5, 1940 (D. E. 87; R. 1084, 1085). Fidler in that letter says:

"You will also note that it was more than *four years* from the time he alleges reduction to practice that Larson filed his application.

. . . . . .

"This wide gap in dates presents still another question,—*namely, whether or not the thing alleged to have been a reduction to practice was nothing more than an abandoned experiment.*"

Fidler again explained this at the trial (R. 813).

And that Alberts himself recognized that there was a serious question of abandonment is established by the fact that during the taking of Larson's deposition in the interference, he asked Larson a series of questions in an obvious endeavor to prove that Larson was poverty stricken and therefore unable to file an application promptly. (Transcript of Interference Testimony, Physical Exh. 63, QQ. 620 to 645, pp. 93 to 96, QQ. 662 to 672, pp. 99, 100).

However, we do not stake the case upon any such proposition but recognize that the offer to concede priority might well have tended to confirm respondent's belief that the Larson testimony was perjured. It was not tantamount to *knowledge* of any confession, and respondent remained in ignorance as to such a thing having actually occurred. The question is then whether the offer to concede priority was enough to lay respondent under an immediate duty to file an information against Larson and his supporting witnesses. *The answer is that lawyer Dunbar was consulted and advised against it.*

Had respondent been seasonably informed of the confession, it is eminently fair to assume that respondent would have taken the matter to the Authorities, considering that respondents' attorney had already twice pro-

ceeded in that direction to the point of taking counsel as to sufficiency of the evidence to warrant action.

Try as they so elaborately do in page after page of their brief, to find in the record direct conclusive proof of certain knowledge possessed by respondent's officers and attorneys of the perjury committed by Larson, the stubborn fact remains that the District Court refused to so find. What more need there be to justify the Court of Appeals in ruling that the District Court's conclusions against respondent were not supported by its findings of fact?

THE COURT OF APPEALS DID NOT OVERTURN THE DISTRICT COURT'S FINDINGS OF FACT.

The only respect in which the Court of Appeals really went contrary to the District Court was in ruling that there was no substantial evidence to support the fact *conclusion* (No. 16) reached by the District Court, and that its actual findings of fact did not support its conclusions of law.

The granting of certiorari could scarcely have been for reasons that contradict each other, and upon surmise that it was not done for purposes of reviewing actual fact findings, we shall pursue the procedural question posed by petitioners as to the action of the Court of Appeals with respect to those fact findings of the District Court, i.e., whether any of them were in truth disregarded or rejected in contravention of Rule 52(a).

By way of showing that petitioners' representations as to this are ungrounded, we first quote what petitioners say are the "salient findings",—Nos. 6, 7, 10, 11 and 13,—and in parallel column the statements of the Court of Appeals on the same topics:

"6. Before Larson's testimony in the interference was concluded, Thomasma sought out plaintiff's president and revealed that he had brought the invention which was the subject matter of the interference to Larson."

"On November 3, 1940, the day before Larson closed his proofs, Thomasma and his attorney attempted to sell Thomasma's Precision stock to Wacker, president of Automotive. He then asserted that he had given Larson the idea of developing a wrench from the Automotive wrench, but he disclosed no specific facts with respect thereto. Wacker refused the offer (R. 1214).

"7. Within a week after Larson's proofs in the Interference closed, plaintiff's attorney had procured an eighty-four page statement from Thomasma (called in the trial the Thomasma affidavit), subsequently sworn to on November 15, 1940, which related in extensive detail the statements of Thomasma with respect to Larson's early work and disclosed such intimate knowledge thereof as to leave little doubt of the author's knowledge of the facts. In that statement, Thomasma claimed authorship in 1938 of the drawing offered by Larson as the work of a high school boy in 1936 and introduced as proof of Larson's early work, and at the same time, Thomasma produced other drawings later submitted to a handwriting expert by plaintiff as proof of his claim."

"On the evening of November 7, 1940, Thomasma voluntarily went to the home of Fidler, the attorney for Automotive, and also returned there the following evening. During those times he voluntarily made a statement with respect to his and Larson's work on the wrench. It was taken down in shorthand, transcribed, and sworn to by him on November 15, 1940, and is quite voluminous. He stated therein that Larson came to his home in November 1937, where they discussed the possibility of making a tension wrench, and at that time he showed Larson a socket, a piece of drill rod and a handle; that Larson then made some patterns, and that several wrenches were made by Larson before any drawings of the wrench were made. He further stated that he made a drawing of the device in June 1938, and that it was the same drawing offered by Larson in the Interference as the work of a high school boy on May 20, 1936." (R. 1214).

"10. The oral testimony in this consolidated cause is in irreconcilable conflict. It does disclose that if Larson's proofs in the Interference had been true, he would have proved priority of invention two or three years earlier than Zimmerman."

"There are conflicts in the evidence with respect to this phase of the case, and they cannot be reconciled so as to believe all the testimony of these three witnesses" (R. 1221).

* * * * *

"Larson was required to produce his evidence first. Nine witnesses, including himself, were examined, and considerable documentary evidence and physical exhibits were received in evidence on his behalf, the hearing of which began October 24 and ended November 4, 1940. It substantiated Larson's early dates, and cross-examination failed to discredit it" (R. 1214).

"11. The proofs establish that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson knew his Interference proofs were insufficient."

"December 2 was agreed upon, and on that date, before plaintiff or its attorney had proposed any terms, Hobbs proposed that Larson concede priority— . . . This proposal was confirmed by Hobbs' letter to Fidler of December 6 . . ." (R. 1216).

* * * * *

"It must be remembered, however, that as early as November 29, 1940, Larson and Carlsen had instructed their attorney to concede priority, and that offer was submitted to plaintiff as early as December 2. The proposal then made by Hobbs for Larson was acceptable to plaintiff, but in as much as the Larson application had been assigned to Snap-On, its consent was necessary." (R. 1217).

"13. Not one of the parties or attorneys involved in the Larson-Zimmerman Interference settlement had taken any steps to inform the proper officials of the perjury in that proceedings until the defense of unclean hands was pleaded in the two cases now consolidated."

"On March 27, 1943, at a pretrial examination of Larson in open court, as requested by plaintiff, Larson admitted his perjury and thereupon Automotive's counsel called the court's attention to that fact. That admission, aside from the filing of the joint amended, unverified answer of the defendants on February 8, 1943, and Snap-On's third amended petition for a declaratory judgment on March 1, 1943, verified by Alberts, was the only confirmatory evidence of Thomasma's story of which plaintiff had knowledge. • • • Prior to those dates, plaintiff and its attorneys, of course, were morally certain that Thomasma's story was true, but they did not think that the uncorroborated evidence of their traitorous former employee would be accepted as against Larson's nine witnesses. This was Albert's opinion, as expressed in his letter to plaintiff's attorneys on December 19, and also the opinion of those disinterested persons whom plaintiff's counsel consulted." (R. 1220-1.)

Not only will exhaustive scrutiny of the opinion of the Court of Appeals reveal *no* rejection of *any* of these "salient" findings, nor of any other of the District Court's real findings of fact, but it will be found that there are no inconsistencies between any of these findings and the statement of facts as put in the opinion. That statement simply reviews the facts of the case more comprehensively than they are put in the District Court's findings, and analyzes the evidence bearing upon the facts.

The District Court's fact *conclusion* (No. 16), with which the Court of Appeals disagreed, had reference to "re-

spondent's silence with regard to the perjury of Larson and others." There was no "irreconcilable conflict" as to *that*. The "irreconcilable conflict" could only relate to threats, promise not to prosecute, and suppression of evidence. In fact, petitioners in their brief only assert that the "evidence is irreconcilable" or "in irreconcilable conflict" with respect to "destruction of evidence (P. B. 33) and "threats and promises" (P. B. 49). No findings were made by the District Court as to those matters. Indeed, none had been proposed by petitioners.

Actually the burden of petitioners' contention with respect to this matter is that the Court of Appeals "scrapped" or "overthrew" the findings of fact of the District Court solely in view of the District Court's Memorandum absolving Hobbs.* Petitioners' counsel are not even consistent. Thus on page 56 of petitioners' brief they assert that "no findings as to any witness' credibility were tendered or made" to or by the District Court, and then on page 64 of their brief they say that "What the Circuit Court of Appeals did was thus merely to weigh the credibility of witnesses and to reject the testimony of many witnesses accepted by the District Court * * *".

We emphasize that what the Court of Appeals exactly did in its opinion was just this: It first (to the middle of page 1202 of the record) stated the issues, as joined by the pleadings, and referred to the trial and the District Court's Memorandum, Findings of Fact and Conclusions of Law and the Judgment, all without comment. It then devoted and confined the next nine pages of its opinion (ending with the middle of page 1221) to a careful and exact exposition of the facts as to the matters dealt with

*Incidentally, petitioners' counsel can hardly be serious in dubbing as a "random observation" the District Court's statement "that the witness Hobbs did not testify falsely," particularly as the Memorandum was confined to that matter and the Court made the statement after it had "reexamined the record," as stated in the Memorandum itself.

in the District Court's fact findings and as to the only conclusion upon which the judgment was based, i.e., respondent's unclean hands by reason of its silence. Throughout these nine pages no reference of any kind is made to the District Court's Memorandum finding that Hobbs had not testified falsely. In the next two pages of its opinion the Court of Appeals meticulously analyzed the facts as to the criminal charges of compounding a felony and coercion pleaded against respondent and its attorneys. *It is only in connection with those charges that the Court of Appeals gave weight to the District Court's specific declaration, upon reexamination of the record, that "Hobbs did not testify falsely."*

The Court of Appeals certainly did not "*reject the testimony of many witnesses accepted by the District Court.*"

On the contrary the testimony rejected by the Court of Appeals was the testimony of petitioners' witnesses contradicting Hobbs' testimony, and the District Court in accepting his testimony necessarily rejected the testimony of petitioners' witnesses. Hence the Court of Appeals was *in accord with the District Court* when stating

> "We are convinced that the contradicted testimony of Larson, Carlsen, Alberts and Johnson has no probative value and cannot be considered as substantial evidence in the light of this record." (R. 1223.)

Naturally the Court of Appeals took into account that Carlsen and Larson were confessed perjurers. The Court also referred (R. 1222) to Alberts' testimony as being "quite inconsistent" and based in part on "his imagination," and noted that Johnson testified neither he nor Snap-On were "coerced * * * directly or indirectly."

No single fact found by the District Court, nor any one of the formal "Findings of Fact" was overruled or dis-

credited by the Circuit Court of Appeals in referring to or in accepting the District Court's memorandum on the credibility of the witness Hobbs. The comments of the Court of Appeals in respect to the testimony and credibility of Hobbs were made as to contentions and findings urged by petitioners, but rejected both by the District Court and Circuit Court of Appeals.

From the foregoing it is apparent that this case presents no such questions as those posed in paragraphs 3 and 4 on page 35 of the petitioners' brief and pursued in Sections III and IV of that brief. The Court of Appeals did not refer to the District Court's memorandum "for the purpose of eking out, controlling or modifying the scope of the findings"— quoting from *Stone* v. *United States*, 164 U. S. 380, 383, so heavily relied upon by petitioners. And the Court of Appeals did not violate the provisions of Rule 52a of the Federal Rules of Civil Procedure in giving weight to the memorandum in connection with the criminal charges—upon which the District Court admittedly made no findings. In fact, the Court of Appeals fully complied with the express provision of that Rule that "due regard shall be given to the opinion of the trial court to judge the credibility of the witnesses," the District Court having passed only on the credibility of Hobbs and no other witness, as admitted by petitioners themselves.

The authorities cited by petitioners are not in point, except the case of *Webb* v. *Frisch*, 111 Fed. (2d) 887, C. C. A. 7th, and that case is only in point because it supports exactly what the Circuit Court of Appeals did. In the *Webb* case, the District Court made findings as to a prior use and in a separate "memorandum" made express findings as to the truthfulness of two witnesses, and the Court of Appeals said with respect to this memorandum:

"We must attach to the testimony of the witnesses the full weight and quality of credibility which the trial court gave it."

In the instant case the Court of Appeals properly overthrew the fact *conclusion* with respect to respondent's unclean hands because it was "not supported by substantial evidence" and was therefore "clearly erroneous" under the Rule. And correspondingly the Court of Appeals overthrew conclusions of law because they were "not supported" by the findings of fact. Therefore the Court of Appeals' decision is wholly consistent and in accordance with the provisions of Rule 52a and many cases thereunder.

"The findings of fact of the court below to the extent that they are unsupported by substantial evidence, or are clearly against the weight of the evidence, or were induced by an erroneous view of the law, are not binding upon this Court." *Aetna Life Ins. Co.* v. *Kepler*, 116 Fed. (2d) 1, 5 (C. C. A. 8th).

"The sufficiency of the evidence to sustain a trial court's conclusion or finding of an ultimate fact remains appropriate matter for an appellate court's consideration." *Kuhn* v. *Princess Lida*, 119 F. (2d) 704, 706 (C. C. A. 3rd).

"Although we agree that the findings and conclusions of the Master adopted by the District Court should not be disturbed unless there is most cogent evidence of mistake and miscarriage of justice or error in applying the law, yet where the ultimate finding is a conclusion of law or at least a determination of a mixed question of law and fact, as it is in this case, *it is subject to judicial review, and our duty is not to place a perfunctory stamp of approval upon the work of the District Court, but rather to provide a real review.*" *Becker* v. *Loew's, Inc.*, 133 F. 2nd 889, 894 (C. C. A. 7th).

PETITIONERS' CONTENTIONS THAT THE CONTRACTS ARE UNFAIR AND ILLEGAL AND THAT RESPONDENT COERCED PETITIONERS INTO ENTERING INTO THEM AND SUPPRESSED EVIDENCE ARE WITHOUT MERIT.

Throughout petitioners' brief (for example, in the chapter beginning on page 46) are direct implications and representations that respondent was unwilling to accept only a concession of priority but was "playing for bigger stakes", and that the contracts were unconscionable and were procured by implied threats.

Petitioners asked for no findings on these matters. The District Court made none.

The Court of Appeals carefully considered these contentions and in connection with them stated, in part, as follows:

> "December 2 was agreed upon, and on that date, before plaintiff or its attorney had proposed any terms, Hobbs proposed that Larson concede priority, that plaintiff give a release for civil damages, and that it license Precision to fulfill existing contracts and commitments for wrenches." (R. 1216).
>
> * * * *
>
> "It must be remembered, however, that as early as November 29, 1940, Larson and Carlsen had instructed their attorney to concede priority, and that offer was submitted to plaintiff as early as December 2. The proposal then made by Hobbs for Larson was acceptable to plaintiff, but in as much as the Larson application had been assigned to Snap-On, its consent was necessary. If given it would have settled the interference, but it was not given to plaintiff until December 24, and the delay was caused by Snap-On, and the reason therefor is quite well expressed in a letter from Alberts to his client on December 19, wherein he stated, '* * * My effort all along has been to stiffen Larson's position so that he would not leave Snap-On * * *

holding the bag — contract or no contract . . . . I would like for you to submit to your general counsel the entire matter insofar as it relates to a possible suit for conspiracy with Larson to defraud Ammco (Plaintiff)'" (R. 1217-8).

. . . . .

"Larson testified at his pre-trial examination that Hobbs, his own attorney, told Carlsen and himself that Fidler had told Hobbs before December 20, 1940, that if the contract was not signed Fidler would 'turn loose the dogs and I would go to jail.' Hobbs emphatically denied this statement and denied that he had made any threat of his own or any one else to Larson, Carlsen, Precision, Alberts or Snap-On. Moreover, Fidler and Lindsey testified that neither of them had ever made any threats to Hobbs or to any one else. Larson said Hobbs was the only one who gave him any information concerning threats and charges of perjury, and Carlsen said that all of his dealings with respect to the settlement were between himself, Larson and Hobbs, and Alberts was not in the picture. There are conflicts in the evidence with respect to this phase of the case, and they cannot be reconciled so as to believe all the testimony of these three witnesses. However, the District Court informs us that Hobbs told the truth, and it is our duty to disregard all other evidence which cannot be reconciled therewith.

"Johnson, Snap-On's president, testified as to threats of prosecution made by plaintiff's attorneys. However, such threats were denied by those attorneys, and Johnson testified that neither he nor his company was coerced into signing the agreement either directly or indirectly. Moreover Larson testified that the agreement contained somewhere near a reasonable settlement, and his attorney Hobbs said that it was a fair one, and so advised him when he signed it.

"Alberts, attorney for the defendants, testified at great length with respect to practically all phases of the case. Some of his statements are quite inconsistent

with others made by him. Others were categorically denied by those to whom he attributed their authorship, including Hobbs. He laid great stress upon what he interpreted as threats to prosecute Larson, which were contained in letters from plaintiff's attorney. Certainly these were not direct threats, and his interpretation of them is based purely upon inferences which we think were not warranted, and were mere products of his imagination." (R. 1221-2).

The District Court having made no findings on these matters and the Court of Appeals having disposed of them as above quoted, there is obviously no conflict between the findings of fact of the District Court and the decision of the Court of Appeals with respect to them. Hence petitioners' counsel could not seriously contend with respect to them that the Court of Appeals either referred to the District Court's memorandum to modify the scope of the findings or violated the Federal Rule of Civil Procedure (52a). And this Court has repeatedly and consistently held that it does not grant a petition for writ of certiorari for the purpose of reviewing the evidence and readjudicating the case on the facts. *Southern Power Co.* v. *North Carolina Public Service Co.*, 263 U. S. 508.

Petitioners having raised these matters in their brief, though not assigning error in reference thereto, we feel constrained to briefly review the actual facts so that this Court will have before it "all that is material to the consideration of the questions presented"—quoting from Rule 27a of this Court.

Petitioners, Not Respondent, Broached Settlement. Simply a Concession of Priority Would Have Satisfied Respondent.

It was not respondent's attorney, nor any one connected with respondent, but it was Hobbs, at the instigation of

Alberts, Snap-On's attorney, who made the first suggestion of settlement and who made a definite proposal, which demanded concessions from respondent in return for a concession of priority (R. 581, 776; P. E. 29, R. 873-5; D. E. 65, R. 1047).

Lindsey made it clear to Hobbs that respondent did not want to grant petitioners any license but that all respondent desired, if entitled to it, was a concession of priority (R. 689, 731).* But Hobbs was not willing to have Larson simply concede priority and Alberts and Snap-On did everything they could to prevent Larson from doing just that. Hobbs testified (R. 581):

> "Q. At this conference did you offer or suggest that you would recommend to Larson that he offer and submit to us a simple concession of priority without any conditions attached?
>
> "A. No. That I was afraid to do and would still be afraid to do because of the fact that if a simple concession of priority were filed, I could foresee that the next day, or as soon as you could, you might issue the Zimmerman patent and then you would sue us for patent infringement and then the customers of Precision would be liable to charges of infringement for their use, they would be back at Snap-On and Snap-On would be back at Precision. *I wasn't willing to concede a priority without something to go with it.*"

Both Hobbs (R. 58, 596) and Alberts (P. E. 10, R. 840-1) were fearful that respondent might sue all the petitioners for conspiracy because of the activities of Thomasma, while he was a trusted employee of respondent (R. 581-596, 616, P. E. 10, 840-1). So they demanded a general release from civil damages.

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* Petitioners refer (P. B. 28) to Lindsey's memorandum entitled "Minimum Terms for Total Settlement", which Hobbs (R. 584) and Fidler (R. 780) as well as Lindsey (R. 688-9) testified was not submitted. If it had been, as petitioners imply, what of it? One of the propositions was "Flat concession of priority to Zimmerman."

Alberts and Snap-On,—which held title to the Larson application,—to whom Larson had already confessed his perjury, haggled for unreasonable terms and notified respondent's attorney on December 17th, that "no further concessions can be made by Snap-On Tools Corporation" (D. E. 73, R. 1057-61). The next day Alberts advised Hobbs that Snap-On would require Larson to "furnish tangible security to indemnify Snap-On" before Snap-On would re-assign the Larson application to Larson (P. E. 32, R. 876-7), and Hobbs replied that Snap-On's demand for security was "unreasonable" (P. E. 34, R. 880). On December 19, Alberts advised Snap-On that his "effort all along has been to stiffen Larson's position so that he would not leave Snap-On * * * holding the bag * * *" (P. E. 10, R. 841-2).

Yet in the face of this evidence, which the Court of Appeals reviews in its opinion, petitioners' counsel have the temerity to state on page 46 of their brief "A concession of priority would have yielded plaintiff the two claims in interference", implying, of course, that respondent bludgeoned petitioners into giving more. As pointed out by the Court of Appeals a concession of priority "would have settled the interference" (R. 1217). Petitioners, now, when again attempting to exploit Larson's perjury so they can pirate respondent's patent rights, admit in their brief (page 38) that "he [Larson] should have conceded priority thereof [the interference claims] is conceded". But, after Larson had confessed to Alberts and Johnson, and during the settlement negotiations, petitioners took every possible step to conceal the perjury and mislead respondent and proceeded to demand terms under respondent's patent rights to protect their wrench business.

Obviously statements in petitioners' brief, such as that "Plaintiff set its own penalty on the crime; its own price on the deliverance" (P. B. 48-9), are rash and unworthy.

The Agreements Are Fair and Legal.

Following their statement that "A concession of priority would have yielded plaintiff the two claims in interference", petitioners ask "What did Plaintiff actually get?" Our answer is that respondent (Plaintiff) got substantially what Hobbs offered, and petitioners got substantially what they demanded, while doing everything possible to conceal the perjury. Hobbs, who did not know of the perjury, testified that he had "obtained the objectives" which he was seeking from the outset (R. 614). Hobbs' offer and the substance of the agreements are admirably set forth by the Court of Appeals in its opinion (R. 1216, 1218-9).

As appropriately pointed out by the Court of Appeals (R. 1222):

> "Moreover, Larson testified that the agreement contained somewhere near a reasonable settlement, and his attorney Hobbs said that it was a fair one, and so advised him when he signed it." (Record 101, 236, 601).

It is perfectly clear that respondent took no advantage of the situation to drive a hard bargain with petitioners.

After asking "What did plaintiff acually get?", petitioners make it clear that the gist of their complaint is that respondent got the Larson application and the petitioners covenanted not to contest the validity of any claims that might issue in the Larson patent.

Petitioners, of course, do not inform this Court that the Larson application was assigned to respondent in lieu of paying royalties, as Hobbs had originally proposed (R. 791).

And what is there unfair or illegal about petitioners' covenant not to contest validity of the Larson patent. Petitioners are assignors and therefore in the absence of

the express covenant in the agreements, petitioners would be estopped anyway as a matter of established law from contesting validity of the claims of the Larson patent. Covenanting to do what the law already requires could hardly be an illegal act. It is not to be overlooked that the Larson invention and application were assigned to respondent for a valuable consideration to wit: Respondent's granting to petitioners the free license to make and sell 6,000 wrenches and respondent's full release to petitioners as to civil damages.

Moreover petitioners were getting the better of the bargain because the Larson application no longer represented great value to them. A new wrench had been devised by Larson (R. 610) which petitioners plead (R. 11) "involved an entirely different principle of construction" from that of the Larson application, and in their brief (p. 47) maintain is "a structure entirely different from anything ever made by Plaintiff or made by Larson and Precision prior to the interference settlement" which if sound would take it outside of any legitimate scope of any patent to issue upon that application. As mentioned in the opinion of the Court of Appeals (R. 1220):

> "As soon as those orders were filled, [orders on hand at the date of the settlement December 24, 1940] Precision began to furnish, and Snap-On began to sell, a modified wrench for which Alberts had prepared a patent application for Larson on December 26, 1940, on which day Larson executed it at Snap-On's place of business."

With respect to adding claims in the Larson application, the Court of Appeals very appropriately said (R. 1223-4):

> "The defendants further contend that the claims added to the Larson application after its assignment to plaintiff, which claims were subsequently allowed by the

examiner, were not within the purview of the parties' contract. The examiner is not bound by contractual limitations of the parties as to the additions or rejections of claims. Here, however, the contract is silent on the subject, and we know of no reason why proper additional claims may not be allowed to the assignee under the name of the inventor as well as to the inventor before assignment. Whether the examiner erred in allowing one or more of the additional claims, or whether any of the claims are valid are questions which are not before us on this appeal. The patent is presumed to be valid, and we hold that additional claims were not precluded by the contract of the parties. *Nor did their allowance render the contract between plaintiff and the defendants an unconscionable one.*"

The Court of Appeals' position in this regard is well supported by the following authorities:

Westinghouse Co. v. *Formica*, 266 U. S. 342; *Foltz Smokeless Furnace Co. et al.* v. *Eureka Smokeless Furnace Co.*, 256 Fed. 847 (C.C.A. 7th); *Stubnitz-Greene Spring Corp.* v. *Fort Pitt Bedding Co.*, 110 Fed. (2d) 192 (C.C.A. 6th), *Swan Carburetor Co.* v. *General Motors Corp.*, 42 Fed. (2d) 452 (D.C.N.D. Ohio), affirmed 44 Fed. (2d) 24.

As to respondent's "seeking to exploit the contracts" (District Court Fact Conclusion No. 16),—whatever that may mean—we cannot see how respondent's hands could become unclean by asserting their rights against petitioners with respect to petitioners' infringment of either the Zimmerman patents or of the Larson patent. Surely it was not unconscionable to go upon petitoners' acknowledgment of their validity when they had themselves stood for patentability of the Zimmerman invention when setting up Larson as a rival claimant, and they were assignors of the Larson application for what was separately patentable as his improvement over Zimmerman.

Petitioners insist that their accused wrench embodies a different principle from that of the wrench of the Larson patent assigned to respondent, or of the Zimmerman patents. This is not the place to argue that question for it was reserved along with all other patent issues when the severance was ordered (R. pp. 88, 89).

Indeed it seems clear that the question of illegality or non-enforceability of the contracts for any such reason as their being offensive to anti-trust laws in committing petitioners to validity of the patents, is not one for review at this time, since no such question was within the scope of the issue severed for trial, nor made the subject of evidence at the trial, nor argued before the District Court, nor were any findings proposed in reference to it. Neither did the Court of Appeals pass upon any such question. It simply remains as an issue raised by the pleadings (R. 9) for ultimate consideration upon trial of the patent phases of the case having regard to petitioners' right to challenge validity of the Zimmerman patents.

There is No Merit in Petitioners' Theory That Larson's Original Patent Application Was Fraudulent.

Petitioners' counsel apparently recognizing the weakness of the ground (respondent's "silence") upon which the District Court found respondent's hand "unclean" and well knowing that petitioners' assignment of the Larson application and their covenant not to contest validity of the claims of the Larson patent were *per se* perfectly proper, find it necessary to urge (P. B. 47 to 49) that the covenant was bad on the unfounded contention that Larson's oath to his application was false because he was *not* the *sole* inventor of what was claimed. Petitioners assign no error in this regard when specifying errors "to be urged".

Nevertheless we will now proceed to demonstrate that this contention is without merit, as held by the Court of Appeals.

Petitioners dare not maintain that Larson had no part in the invention. They undertake to deal with the proofs in such a way as to convey the impression that all Larson did was to embody Thomasma's ideas, but, knowing the weakness of that proposition also, they stand upon the ground that Larson and Thomasma were *joint* inventors and that Larson swore falsely when setting himself up as *sole* inventor.

None of the petitioners pleaded *fraud* or *unclean hands* in the *filing* of the Larson application, or in its *prosecution*, on the ground that Larson was not the sole inventor*. Petitioners pleaded perjury only in connection with "the subject matter of the counts then in interference" (R. 9 and 31). Larson inserted the claims constituting the counts in his application for purposes of the interference long after it was filed and the Larson patent of course did not contain those claims when it issued, as respondent's attorneys cancelled them promptly after the application was assigned to respondent. Petitioners' counsel asked no finding as to fraud in the filing of the Larson application (R. 1117-20). The District Court made none (R. 1121-25). Indeed, the Larson application as originally filed was not even before the Court when it entered its findings, the findings having been entered on July 12, 1943 (R. 1121) and the stipulation with respect to the original application not having been filed with the Court until August 6, 1943, at which time printed copies of the three patents in suit were made part of the record by a second stipulation (P. E. 64a and 68, R. 906 to 913).

*Snap-On pleaded in its Third Petition (R. 21) "upon information and belief" that the patent was invalid "because the alleged invention of Kenneth R. Larson [was] the joint contribution of the said Kenneth R. Larson and George Thomasma, the latter contributing and furnishing *at least* a substantial portion of the disclosure."

The Court of Appeals disposed of this proposition as follows:

> "At that time [when Larson originally filed his application] the application did not claim anything that was common to the Zimmerman and Larson wrenches, but the claims, as interpreted by the disclosure, were limited to a detail which comprised a *tail-piece* for operating a gauge mechanism. *This, we think the evidence clearly discloses, was Larson's contribution, and it was so asserted at the trial by Alberts.*" (R. 1212-3.)

> "The defendants further contend that the Larson application should have been a joint application by Larson and Thomasma. *This record does not warrant such conclusion,* and we think our conclusion in this respect is strongly supported by the facts that the application was filed on October 1, 1938, by Alberts, the attorney for Larson and Snap-On, and it was assigned to Snap-On. The defendants and Alberts were fully informed as to the contents of the Thomasma affidavit on November 28, 1940, which fully stated his connection with the Larson disclosure. The defendants continued to operate under the pending application and raised no question as to Thomasma's joint authorship of Larson's disclosure until March 1, 1943, when Snap-On, by Alberts, filed its amended petition for a declaratory decree. This was more than three years after they had full knowledge of the contents of the Thomasma affidavit, and more than two years after Larson had secretly confessed his perjury to them" (R. 1223).

The Court of Appeals in stating that the original application claims covered Larson's contribution "and it was so asserted at the trial by Alberts", manifestly had in mind Alberts' testimony with respect to his letter of January 31, 1941 to Krichiver, Thomasma's attorney, in which Alberts stated:

> "*Mr. Larson was given credit* [by Thomasma] for *the major part of the development* that entered into the result constituting the basis of the patent application." (P. E. 20, R. 859, 861).

With respect to this letter Alberts testified (R. 465):

> "he [Thomasma] *acknowledged that the greater part of the work on that wrench was done by Larson; that Larson's idea was to place the indicator in the handle end of the wrench, put an extension on the flexible beam to translate the flex of the beam* to such an extent that a *more accurate performance could be acquired in taking measurements* or *viewing the indicator to register those measurements;* that that part of the wrench was *his* [Larson's] invention."

It is interesting in passing to note that even petitioners in their brief here emphasize that the Larson application was filed with "*narrow*" claims (P. 10, 46).

Thomasma, in his affidavit said that the Larson application was properly filed in Larson's name, as follows (R. 1002):

> "Q. That particular improvement that was covered by the application, whose improvement was that? Who made the suggestion respecting the reduced end piece connecting with the gauge?
>
> A. Larson made that.
>
> Q. Therefore, it was proper for the application to be filed in his name?
>
> A. That's right."

Thomasma, with his knowledge of Zimmerman's constructions, had proposed to Larson that a round rod be mounted directly on the work-engaging member (R. 963),—scarcely an inventive idea since in one of Zimmerman's applications (Figs. 7 to 11 of No. 2,283,888, R. 1162) a

square spring bar 2 appears so mounted, and in Zimmerman's other application a round rod appears (Figs. 2 & 3 of Re. No. 22219, R. 1184). He also proposed to have the indicator carried by the cover of the chambered body (R. 969), again scarcely an inventive idea since it involved a mere reversal of parts.

Those were not the features claimed in the original Larson application. The inventive contributions were rather to be found in the "manner in which the dial reading was taken on the spring bar" (R. 1002), involving the swiveled mounting of the spring member intermediate of its length with the indicator operated through connection with the extremity of that member, the indicator being located at the handle end of the chambered body. *These are the things that were worked out by Larson and covered by his application.*

It appears from the Thomasma affidavit (D. E. 21, R. 952-1012) that the first patterns were made by Larson "*entirely on his own*," as Larson "*took things in his own hands*" (R. 963). Larson in making the pattern placed the swivel bearing near the middle of the casing chamber. Then Larson fixed a reduced rod to the end of the beam, and the first wrench, which was completely finished and which was satisfactory, had this reduced rod extension (R. 894).

Certainly, the burden rested upon petitioners, and a heavy one at that, to establish any such thing as that Larson was not legally entitled to lay claim to the invention, when Thomasma gave him "credit for the major part of the development," according to Alberts himself. We submit that this burden has by no means been sustained.

The most that can be said for Thomasma as to his part in the inception and promotion of the idea of improving upon respondent's wrench is that he had the embryo when his

collaboration with Larson began. He cannot be accredited with the development of that embryo into a complete conception of an invention,—much less its embodiment in concrete form. That was Larson's work.

It is perfectly clear upon the proofs that Thomasma could not stand as sole inventor. Petitioners' counsel concede that much when taking the position that it was a joint invention. Conceivably a joint application for patent might have been justified but we submit that, for the reasons we have given, going by the record, a sole application in Larson's name was proper, and that the charge of fraud in its filing or fraud in its prosecution is preposterous.

We therefore maintain that Larson was thoroughly entitled to claim as he originally did and that he made no misrepresentation and certainly committed no fraud in swearing to his application as originally filed.

The falsity of Larson's subsequent oaths to inventorship of what was common to his application and Zimmerman's could not render false his original oath to inventorship of what lay outside of that, nor justify refusal of a patent to him on that which he had invented as an improvement over Zimmerman's invention.

Neither the Patent Office nor a Chancellor could justify extinguishment of Larson's right to a patent upon his own invention, as a penalty for having for a time falsely claimed what Zimmerman had invented.

It follows that no culpability could possibly attach to respondent's acquisition of that right from Larson.

Yet we find petitioners arguing that it was a vicious thing for respondent to acquire the Larson application and to prosecute it for what it carried that Zimmerman did not have. And petitioners inveigh against their own covenant

not to contest validity, making reference to public interest. How, may we ask, is public interest affected by an express agreement on the part of an *assignor* of a patent application never to challenge validity of the patent issued upon that application when he is estopped to do so anyway? Surely it cannot be that a patentee who has sold his patent for a valuable consideration can turn around when sued for infringement and defend on the ground that the consideration from him to his assignee was worthless. That would certainly smack of fraud. And what is so sinister about the assignee's solicitor obtaining a full measure of protection by way of prosecuting claims in addition to those remaining after deletion of the false interference counts?

The District Court made no finding upon this,—none had been proposed by petitioners. However, the Court of Appeals spoke as follows:

> "Whether the examiner erred in allowing one or more of the additional claims, or whether any of the claims are valid are questions which are not before us on this appeal. The patent is presumed to be valid, and we hold that additional claims were not precluded by the contract of the parties. Nor did their allowance render the contract between plaintiff and the defendants an unconscionable one." (R. 1224.)

Naturally, petitioners maintain that no such additional claims should have been allowed as those which read upon their accused wrench. Of course not, because that gave ground for checking further depredations whereby to ruin respondent's business. But this assumes dereliction on the part of the Patent Office which certainly is presumed to have given proper consideration to the important matter of support for all claims by the disclosures upon which they must necessarily be founded.

There Were No Threats, Implied or Otherwise.

Petitioners' counsel still are not satisfied with their "House that Jack Built" type of defense, so they tack on "threats" (P. B. 49), notwithstanding that they did not ask the District Court for any "threat" finding, that the Court made none and that the Court of Appeals analyzed the evidence and effectively disposed of the charges of threats and coercion. With respect to this matter we have already quoted from the Court of Appeals opinion on pages 19 to 21, *supra*.

On page 49 of petitioners' brief, reference is made to Lindsey's letters of December 18th (P. E. 30, R. 875) and December 19th (D. E. 68, R. 1048-50). Apparently these are the letters that Court of Appeals said Alberts "laid great stress" upon and that:

> "Certainly these were not direct threats, and his interpretation of them is based purely upon inferences which we think were not warranted, and were mere products of his imagination." (R. 1222.)

A mere reading of Lindsey's letter of December 18th will show that any inferences of threats therein are mere products of the imagination.

So likewise with Lindsey's letter of December 19th. The Court of Appeals quotes from this letter (R. 1217) and succinctly and accurately stated many of the attendant facts and circumstances (R. 1216 to 1218) which are not challenged by petitioners.

Alberts remained attorney of record for Snap-On and Larson in the Patent Office. Respondent's attorneys naturally wished to proceed promptly with the taking of depositions on behalf of Zimmerman, as the settlement of negotiations had broken down, Alberts having notified respond-

ent's attorney in his letter of December 17 to either accept Snap-On's terms or proceed with the proofs. (P. E. 73, R. 1057). It was proper for Lindsey to point out that as such attorney, Alberts was obligated to have the transcription of the Larson interference testimony completed, and completed accurately, and that after receiving the notice of taking depositions on behalf of Zimmerman Alberts should not have attempted to substitute Hobbs who had some days before positively advised Alberts, Lindsey and Fidler that he was retained only in connection with a settlement and that he would *not* represent Larson in the Patent Office Interference (R. 586-7; 691; P. E. 34, R. 879). Lindsey admitted that he did strongly suspect that Johnson and Alberts had confronted Larson and Carlsen with Thomasma's story, and suspected that Larson and Carlsen had confessed their perjury to Alberts and Johnson. Lindsey properly felt that if that were the case, Snap-On and Larson should file in the Patent Office a concession of priority as to the counts of the Interference. Alberts virtually denied that there was any such confession in his reply of December 19th. Lindsey's "shot," in an effort to "smoke out" Alberts and Johnson, that they should realize that the Larson story was not the whole truth proved to be well directed. So likewise did his "shot" that the issuance of the Zimmerman patent was being held up without justification.

Where are the implied or direct threats in Lindsey's letters? Threats to do what? And threats against whom?

We would note that on page 32 of petitioners' brief is the misleading statement that on December 20th "Lindsey apologized for Alberts' interpretation of Lindsey's letter [of December 19] (R. 699)". There was no apology, as such. Lindsey's testimony, which was confirmed by Alberts himself on page 431 of the record, was as follows (R. 699):

"I wanted to clear that up first and I told Mr. Alberts that he had read into that letter many things that wasn't there, many things which were not intended, that I was not accusing either Mr. Alberts or Mr. Johnson of anything in that letter, that the only thing I wanted to make clear to him was that he had responsibility with respect to obtaining the untranscribed testimony in the Interference and, if he wished to withdraw, he should file a proper substitute power of attorney in the Patent Office so we would know who to serve papers on as required by the Rules of Practice of the Patent Office."

This occurred at the very beginning of the December 20th conference between Hobbs, Alberts, Lindsey and Fidler. *Thereafter* the attorneys arrived at the settlement terms, which were, in fact, substantially those originally proposed by Hobbs and which were more favorable to petitioners than the terms respondent had previously suggested. So what becomes of petitioners' "implied threats" in Lindsey's letters? And as pointed out by the Court of Appeals, "Johnson testified that neither he nor his company was coerced into signing the agreement either directly or *indirectly*" (R. 1222) and "Larson testified that the agreement contained somewhere near a reasonable settlement, and his attorney Hobbs said that it was a fair one, and so advised him when he signed it." (R. 1222.)

There Were No "Promises" Not to Prosecute and No Agreement to Suppress Evidence.

Also on page 49 of petitioners' brief is the statement that the "evidence is irreconcilable" with respect to "promises made to protect Larson against prosecution for perjury." Nowhere in that brief or in the petition for the writ do petitioners' counsel even attempt to directly enlighten the court as to any promises, nor do they refer to any page of the record in connection with that matter.

Petitioners in their chapter entitled "The Notebooks of the Larson Depositions are Destroyed" (P. B. 33) first say that the "testimony as to whether or not there was discussion of the destruction of the evidence of Larson's perjury" is "in irreconcilable conflict." Then they refer to the two missing notebooks of the shorthand reporter. These statements may imply that there was an understanding to suppress evidence and therefore an implied promise not to prosecute Larson. Petitioners did not request the District Court to make any findings on these matters and that Court made none.

The Court of Appeals disposed of these matters as follows (R. 1222-3):

> "The District Court did not believe the testimony of Larson, Carlsen or Alberts, or any other witness, where it contradicted Hobbs' testimony, and the latter did not disagree with the testimony of plaintiff's attorneys which related to the same facts. Some, if not all, of these first-named witnesses testified to an agreement among all the attorneys that all the evidence, incriminating or otherwise, would be destroyed. This testimony was denied emphatically by Hobbs and plaintiff's attorneys, and their denial is supported by the fact that no part of the evidence adduced was ever destroyed, and all of it is set forth in the printed record now before us, or is in the hands of the clerk of this court. Hobbs had notified plaintiff's attorneys that he desired all evidence preserved. A portion of Larson's proofs had not been transcribed and never has been, and some parts had been transcribed incorrectly. When Fidler notified Alberts of his intention to take plaintiff's proofs and of his desire to have full copies of Larson's proofs, Alberts notified his reporter of that fact, and requested him to complete his transcription and notified Fidler of that fact. They were not completed when the settlement was executed, whereupon, in compliance with Hobbs' request to preserve all evi-

> dence, Fidler notified the reporter of the settlement and requested him to deliver his transcriptions and his untranscribed notes to Alberts, who had employed him for the defendants. *The defendants now stress this circumstance as proof of plaintiff's effort to conceal and suppress testimony. There is no merit in this contention.*"

Except for the statement in the first sentence of the above quotation, petitioners' counsel do not quarrel with or attempt to point out any error in the Court of Appeals' statements of fact. Petitioners assign no error with respect to them (P. B. 35).

Petitioners' bald statements (P. B. 23) that two of the reporter's notebooks were destroyed and that Fidler wrote the reporter to deliver to Alberts all of the notebooks and the transcribed testimony could only be made with the intention to imply that there was an understanding to suppress this evidence. Petitioners should have been frank with this Court by stating the full facts, which demonstrate exactly the opposite of what petitioners would imply.

At the December 24th conference between Alberts, Hobbs, Fidler and Lindsey, it was agreed that the notebooks and transcribed testimony should be preserved and that to this end the reporter should turn them over to Alberts. This is fully supported by Fidler's letter of December 26th to the reporter (P. E. 15, R. 845), Fidler's letter of the same date to Alberts (P. E. 22, R. 865), and the testimony of Hobbs (R. 591) and Lindsey (R. 700-1). Not only Hobbs, but also Lindsey and Fidler, wanted the evidence preserved (R. 595, 632-3, 701, 785-6). The reporter's work showed that he was not the most responsible sort of reporter (R. 701) and Alberts himself had written the reporter "I have never received such poor service in years past from other reporters" (D. E. 103, R. 1103). The reporter delivered the

two missing notebooks to Alberts a day or two after December 26th (R. 661), Alberts admitted the reporter brought the books to him in his office, but he contended that they were not left with him because he was not interested in them (R. 479).

If there is an irreconcilable conflict between Alberts and the reporter's testimony, it is in petitioners' own camp, and any implication or contention that respondent's attorneys had a hand in their destruction is ridiculous and unworthy. Petitioners admit (P. B. 33) that all of the other evidence was available, and certainly every scrap of evidence that respondent and its attorneys ever had bearing upon the issues was freely produced at trial.

UNCLEAN HANDS MUST BE BASED UPON ACTUAL KNOWLEDGE RATHER THAN MERE SUSPICION OR IMPUTED OR IMPLIED KNOWLEDGE.

Under well established principles of equity, the evidence must be clear and conclusive that respondent and its attorneys had actual knowledge of Larson's perjury in order to sustain the defense of unclean hands. The knowledge must be actual, rather than implied or imputed. The mere fact that the trial Court thought that respondent and its attorneys should have known of the perjury is insufficient. The doctrine of unclean hands is concerned with the consciences and good faith of the parties at the time of the transaction as distinguished from what circumstances may dictate as to what the parties should have known or should have done. As to what was in the minds or consciences of respondent and its attorneys that is evidenced by their acts in attempting to ferret out the truth by further investigation and the employment of a handwriting expert, all of which brought unconvincing results, and in consulting with and relying upon the advice of competent outside counsel. Now

to substitute knowledge on the basis of what should have been known by the parties for what was actually in their minds and then to base a holding of unclean hands upon that substituted knowledge would be contrary to the principles of the equitable doctrine of unclean hands as established by the authorities.

In the leading case of *Vulcan Detinning Co.* v. *American Can Co. et al.*, 67 Atl. Rep. 339, 341 (Ct. of Errors & Appeals of N. J. 1907), the Court, in refusing to apply the legal principles of agency in order to impute to plaintiff knowledge of the alleged misconduct charged to connote unclean hands, held that the defense of unclean hands could not with propriety be based upon imputed acts or conduct, stating:

> *"In reaching this last conclusion the learned Vice Chancellor fell, we think, into the error of ascribing an unconscionable status to the complainant by force of a presumption of remedial law that in its most extreme application affects only the legal rights of parties and not at all their moral standing.* That the knowledge possessed by an agent, but not acquired by him while acting for his principal, will under certain conditions be imputed to the latter, is in the nature of a presumption indulged in by courts in working out the rights of litigating parties.
>
> * * * * * * *
>
> *True, he may be bound by it in the sense that his legal rights may be determined with reference to the knowledge with which he is thus chargeable; but his conscience is void of offense, and hence it cannot with any propriety be said that his hands are unclean, for 'unclean hands', within the meaning of the maxim of equity, is a figurative description of a class of suitors to whom a court of equity as a court of conscience will not even listen, because the conduct of such suitors is itself unconscionable—i. e., morally reprehensible as to known facts. The entire ineptitude of*

the presumption respecting imputed knowledge to relegate the complainant in the present case to this reprobated class must, we think, be apparent. As was said by the Kentucky Court of Appeals, speaking through Mr. Justice Burnam (afterward Chief Justice): 'The maxim, "One who comes into equity must come with clean hands," is based upon conscience and good faith.' American Association v. Innis, 109 Ky. 595, 60 S. W. 388.

"Upon the ground stated we think that the learned Vice Chancellor committed error, without regard to the pertinence of the maxim of clean hands to the knowledge that he imputed to the complainant or to the propriety of such imputation."

Another case which clearly supports this proposition is *Journal Plaza Holding Co.* v. *J. H. L. Co., Inc.*, 152 Atl. Rep. 14, 16 (Ct. of E. & App. of N. J. 1930) wherein the court said:

"The lease, in many respects, was indefinite and uncertain, and sufficiently so to justify the tenant in coming into the Court of Chancery for a construction; and we think that the complainant-tenant was entitled to have its legal conception of the lease judicially considered. *It does not appear that any of the officers of the complainant-tenant concealed anything from the court, or that they possessed any knowledge to justify holding that their conduct was unconscionable and such as to render their hands unclean,* within the maxim which is well defined in the syllabus of the case of *Vulcan Detinning Company* v. *American Can Company*, 72 N. J. Eq. 387, 67 A. 339, 12 L. R. A. (N. S.) 102, as follows: *'The maxim, "One who comes into equity must come with clean hands," is based upon conscience and good faith, and the bad faith or the unconscionable conduct that will justify the application of this maxim must be based upon actual knowledge or willful fraud.'*"

Manifestly, if the knowledge of respondent and its attorneys respecting Larson's perjury must have been actual as distinguished from mere suspicion or imputed knowledge, and they had no actual knowledge, their silence respecting their suspicion does not constitute conduct rendering their hands unclean.

RESPONDENT AND ITS ATTORNEYS COMMITTED NO POSITIVE, WILLFUL OR INTENTIONAL WRONG.

We submit that, if respondent and its attorneys should have known that perjury had been committed, their failure to know was the result of a mistake or misinterpretation of the facts. And if their suspicions should have required them to take the matter up with the proper authorities, their view to the contrary, as supported by the advice of competent outside counsel, was at most a misapprehension as to legal responsibilities. The authorities are predominantly to the effect that conduct carried on in good faith and which is not willful or intentional, as distinguished from mistake, inadvertance or misapprehension of legal rights or responsibilities, does not constitute unclean hands.

A recent case clearly applicable to the facts here is *Ohio Oil Co.* v. *Sharp*, 135 Fed. (2d) 303, 308-9 (C. C. A. 10th, 1943). There a suit in equity was brought to impress a constructive trust upon certain leases alleged to have been acquired by appellee through the wrongful use of confidential information belonging to Ohio Co. The trial court dismissed the action on the ground that the facts, as pleaded in the Complaint, affirmatively showed that the information wrongfully obtained and used by appellee was also wrongfully obtained by Ohio through

a trespass upon the property from whom appellee obtained the leases. In that case the lower court found unclean hands; but the Court of Appeals reversed and in so doing stated:

> "Rather, our problem is to translate the trespass or wrongful invasion in terms *of unconscionable or inequitable conduct.* It is pleaded and hence must be conceded that the geophysical survey was conducted in accordance with the customary and standard practices employed in Oklahoma, and that the tests were made upon the highway abutting the lands involved with the written consent of the owners of the surface, in good faith and with the honest belief that the Ohio had the right to make such tests. If it did not have such right, its good faith and honest belief will not relieve it from an actionable wrong, but not every actionable wrong amounting to a trespass or an invasion of the property rights of others is iniquitous, inequitable or unconscionable. *It is well settled that one who invades or trespasses upon the property rights of another, while acting in the good faith and honest belief that he had the lawful and legal right to do so, is regarded as an innocent trespasser* and liable only for the actual damages sustained. • • • No evil or illegal intent, purpose or design can be attributed to the complainant under the facts as alleged. In these circumstances, we think the Ohio should be cast in the role of an innocent trespasser, and it stands before the bar of equity tainted with this onus. *But its good faith conduct, although said to be an actionable wrong, is not unconscionable or sufficiently culpable to repel it from a court of equity.*"

Another pertinent case is *Goodyear Tire & Rubber Co. v. Overman Cushion Tire Co.*, 95 Fed. (2d) 978, 982, wherein the Court of Appeals of the Sixth Circuit said:

> "We are in agreement with the lower court that the Keystone Case is not applicable here, because Overman had no corrupt intent in making the Nelson con-

tract. He intended by the contract only to continue Nelson's employment, which included work on the cases. *There was no thought of suppressing evidence* or of inducing the witness to testify falsely. Under duress, Overman yielded to Nelson's demand, just before the time when it was believed, though erroneously, that as a witness testifying only to the truth, he was essential to the establishment of plaintiff's case.

"*Defendant's contention that corrupt intent is immaterial cannot be sustained* in the light not only of the Keystone opinion and the cases therein cited, but of a host of other decisions."

This rule was also aptly stated in *Lavretta et al.* v. *First Nat. Bk. of Mobile*, 178 So. Rep. 3, 6 (Sup. Ct. Ala. 1937) as follows:

"*The rule or maxim, he who comes into equity must come with clean hands, is based on conscience and good faith. It follows that bad faith or unconscionable conduct that falls within the maxim must rest upon a positive or willful wrong, must involve intention as opposed to an inadvertent act or a mis-apprehension of legal rights.* Such is the effect of the decisions in this jurisdiction [Citing authorities.]"

In *Valley Smokeless Coal Co.* v. *Manufacturers Water Co.*, 153 Atl. Rep. 327, 329 (Sup. Ct. Pa. 1930), the court applied this doctrine, using the following language:

"• • • It is not urged that there was an intentional removal of support under the strip by the coal company, or that objection was made by defendant to the manner of cutting, though known to it at the time, and the court found the support thus removed could be replaced, though the work of so doing would be expensive.

"(6-10) It is insisted, under the circumstances, that plaintiff, because of the excess cutting, does not come

into court with clean hands, and no decree in its favor should therefor be entered. *In order to apply the rule referred to, it must appear that the misconduct has been willful* (*Lewis & Nelson's Appeal*, 67 Pa. 153), *and not merely negligent* (*Bradly* v. *Jennings*, 201 Pa. 473, 51 A. 343)."

Another interesting case which deals with situations wherein there is "room for mistake" and wherein the alleged misconduct was found not to be unclean hands because it was not willful and intentional is *Green* v. *Veder*, 57 S. W. Rep. 519, 525 (Ct. of Ch. App. Tenn. 1900). There the court found:

> "All these things go to show that there was *room for mistake* in the mind of Dr. Ikirt as to the condition of the land. * * * *Taking all of these circumstances together, we are unable to find that Dr. Ikirt was guilty of a premeditated fraud.* * * * The matter, however, is of importance now only for the purpose of determining whether the complainant, representing Dr. Ikirt, should be repelled from court because of his misrepresentations. *We are unable to find, as stated, that these misrepresentations were willfully or intentionally false, and therefore, we do not think that Dr. Ikirt was guilty of such a degree of turpitude as would repel him or his representative from the portals of a court of chancery.* * * * *We have found that, while Dr. Ikirt's representations were of such a character as would have authorized a rescission upon the part of Veder because the representations were material and untrue, yet they were not made by Ikirt with such a knowledge of their falsity as would justify the court in repelling him.*"

In the instant case the evidence shows that the conduct of respondent and its attorneys was carried on in the best of good faith. There was nothing reprehensible or immoral in their conduct. They used every means available to seek the truth. It was their belief that the evidence of perjury they

then had was insufficient under the circumstances to warrant taking the matter to the District Attorney. This belief was confirmed by competent outside counsel, Mr. Dunbar of Chicago and Mr. Thomas of Washington, D. C. In accordance with the advice of both of these counsel, and after weighing the facts, respondent and its attorneys, in good faith and out of caution, did not present the matter to the District Attorney, in order to avoid involvement of respondent in a suit for false arrest, defamation of character or malicious prosecution. This conduct was not based upon any ulterior motive; nor can it be deemed unconscionable or inequitable. The most that can be said of the conduct of respondent and its attorneys is that, if they erred, it was an honest mistake of fact or misapprehension of legal responsibility. This does not constitute unclean hands.

RESPONDENT'S FAILURE TO REPORT ITS SUSPICIONS OF LARSON'S PERJURY TO THE DISTRICT ATTORNEY WAS NEITHER A VIOLATION OF THE MISPRISION STATUTE NOR CONTRARY TO PUBLIC POLICY.

It is petitioners' position that respondent's hands are unclean because it violated the federal misprision statute (18 U.S.C.A. Sec. 251, Criminal Code, Sec. 146) by its failure to inform the authorities of Larson's perjury. Such a position is untenable under the authorities. This statute reads as follows:

> "Whoever, having knowledge of the actual commission of the crime of murder or other felony cognizable by the courts of the United States, *conceals* and does not as soon as may be disclose and make known the same to some one of the judges or other persons in civil or military authority under the United States, shall be fined not more than $500, or imprisoned not more than three years, or both."

Petitioners urge this statute as an expression of national public policy. If that be true it necessarily follows that any act which does not violate the statute does not violate public policy. It is well established by all those Federal Courts, including this Court, which have had occasion to consider the misprision statute, that an affirmative act of concealment or suppression, in addition to mere silence, is a necessary element of the crime. Such was the ruling by Judge Morton of the District Court for the District of Massachusetts in quashing an indictment in *United States v. Farrar*, 38 Fed. (2d) 515, 517:

> "The Act of April 30, 1790, as amended (18 U. S. C. A. § 251), requires *both concealment and failure to disclose*. Under it some affirmative act toward the concealment of the felony is necessary. *Mere silence after knowledge of the commission of the crime is not sufficient*. The allegations of the indictment do not bring it within this statute."

The judgment of Judge Morton was affirmed by this Court at 281 U. S. 624.

The misprision statute was interpreted and applied in exactly the same manner by the Court of Appeals of the Tenth Circuit in *Bratton v. U. S.*, 73 F. (2d) 795, 797. There the Court in reversing a conviction under the statute for not disclosing knowledge of a felony said:

> "Section 146 was enacted April 30, 1790 (1 Stat. 113, § 6), and as far as the researches of court and counsel disclose, has been before the courts but twice in the 144 years of its life. It provides that there must be *both a concealment and a failure to disclose* in order to constitute a criminal offense. The language is 'conceals and does not as soon as may be disclose'. Some meaning must be given to the words 'conceal and'. If it should be held that a failure to disclose is in itself a concealment, then a conviction may be had for a

failure to disclose without more, and the words 'conceal and' are thus effectively excised from the statute.

"Following settled rules of construction, we must assume that Congress intended something by the use of the words 'conceal and'. If any meaning is to be given them, an indictment must allege something more than mere failure to disclose—*some affirmative act of concealment*, such as suppression of the evidence, harboring of the criminal, intimidation of witnesses, or other *positive act designed to conceal from the authorities the fact that a crime had been committed*. Furthermore, some such interpretation is necessary to rescue the act from *an intolerable oppressiveness* and to eliminate a serious question of constitutional power. Whatever may have been the case in 1790, when federal felonies were few, the act if otherwise construed would be but *another unworkable and unenforceable law in latter days*. Take the case here: The defendant was a state peace officer; he would be guilty of a felony under any other interpretation, even if he turned his prisoner over to the proper state authorities and swore to a complaint, if he failed promptly to report the arrest to federal authority. The bystander who saw a federal felony committed would become a felon if he did not promptly report it, although federal officers apprehended the criminal on the spot. The guest at a club or a dinner in Eastern Oklahoma would lately have been a felon if he had not promptly reported to the nearest federal judge the fact that he observed another guest in possession of a beverage of proscribed alcoholic content. An interpretation leading to such an intolerable conclusion should not lightly be imputed."

After stating the above, the Court then referred with approval to *United States* v. *Farrar, supra*, and pointed out that this Court had affirmed the lower court in that case as follows (p. 798):

"It was so held in *United States* v. *Farrar* (D. C. Mass.) 38 F. (2d) 515, 517. There Judge Morton held

that a purchaser of intoxicating liquors could not be convicted under this act, although he had knowledge of a felonious sale and did not report it,"

* * * * *

The Supreme Court of the United States affirmed. 281 U. S. 624, 50 S. Ct. 425, 74 L. Ed. 1078, 68 A. L. R. 892. While the Supreme Court did not mention this statute, Judge Morton's opinion called it to the attention of the high court, and if that court had believed that failure to disclose, without more, was a crime, then a reversal must have followed."

In citing with approval the Bratton and Farrar cases, supra, the Court of Appeals for the Eighth Circuit in *Neal* v. *U. S.*, 102 F. (2d) 643, 646, 649, made the same ruling and said:

"To sustain a conviction on count two for misprision of felony it was incumbent upon the government to prove beyond a reasonable doubt (1) that John L. Neal, the principal, had committed and completed the felony alleged prior to January 7, 1938; (2) that the defendant had full knowledge of that fact; (3) that he failed to notify the authorities; and (4) that he took two affirmative steps to conceal the crime of the principal, viz., (a) he concealed $5,903 of the stolen money in a golf bag, and (b) he knowingly altered and expunged from the books of account of the Neal Funeral Home entries showing the investment of John L. Neal therein, which money so invested was a part of the stolen money."

* * * * *

"The elements of the offense under the statute are two: There must be (1) a concealment of something such as suppression of the evidence or other positive act and (2) a failure to disclose. *Proof of one of the elements only,* and *not of both,* is *not sufficient to support a conviction. Bratton* v. *United States,* 10 Cir., 73 F. 2d 795, 797; *United States* v. *Farrar,* D. C. Mass., 38 F. 2d 515, 517."

Thus under the above decisions mere silence is not a violation of the misprision statute. The national public policy is, therefore, not as harsh as petitioners would have it. In the instant case, the evidence clearly shows that there was no affirmative act of concealment by respondent and its attorneys. The petitioners do not urge it. The District Court made no such finding. The Court of Appeals specifically found that there was no affirmative act of concealment, and that "under the circumstances of this case it is clear that no duty devolved upon plaintiff [respondent] to report its information to either the District Attorney or the Patent Office" (R. 1222.)

This Court had early defined the national public policy applicable to civil cases of this kind in *Marbury* v. *Brooks*, 7 Wheaton 556, 576, 578-9 (1822). There a deed conveying certain property, which had been charged was given to compound a felony, was held valid and binding in the absence of an agreement to compound the felony, although there was knowledge that the felony had been committed. After discussing the evidence and charges in detail, Chief Justice Marshall stated:

> "It may be the duty of a citizen to accuse every offender, and to proclaim every offence which comes to his knowledge; but the law which would punish him in every case for not performing this duty is *too harsh for man.*"
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> . . . . . .
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> "The fact, in its strongest aspect, is, that a deed was made, giving this preference in the hope that it would propitiate the preferred creditors, and prevent their being so active as they might otherwise be in proceeding against the criminal. But the facts, as they stand, show no agreement made at any time to forbear to prosecute, nor that the interest of the creditors would be in any manner affected by the institu-

tion of a prosecution, and carrying it on to the conviction of the offender.

"If Fitzhugh had remained, and his crime had not been discovered he might have sold all the property comprised in this deed, and might have applied the money to the notes he had counterfeited. His hope that this act would conceal the crime, and save him from punishment, would not have vitiated the transaction."

. . . . . .

"Would the hope in his own bosom, that such conveyance might have the effect of exempting him from a prosecution, unaccompanied by any act of the favored creditors giving countenance to such hope, avoid the deed?

"The consideration moving from the creditor, would be a real debt, and consequently a valuable and fair consideration. It would not be tainted by any secret hope working in the mind of the maker of the deed. It would not be the less fair on account of that hope. We think that the validity of such a deed could not be drawn into question."

Thus, in a civil case, this Court has refused to penalize a party for mere silence and failure to inform the authorities of the commission of a crime, and it is significant that such refusal was made at a time when the misprision statute relied upon by respondents was in full force and effect.

As we have pointed out, the question of unclean hands is a matter for the application of local law and so we shall make reference to Illinois statutes and to decisions of the Illinois Courts regarding the question of public policy here involved.

Defendants pleaded (but do not here urge) violation of the compounding statute of the State of Illinois (Ill. Rev.

Stat., Criminal Code, Chap. 38, Sec. 135), which reads as follows.

> "135. *Punishment*, Sec. 43. Whoever takes money, goods, chattels, lands or other reward, or promise thereof, to compound any criminal offense, shall be fined in double the sum or value of the thing agreed for or taken; but no person shall be debarred from taking his goods or property from the thief or felon, or receiving compensation for the private injury occasioned by the commission of any such criminal offense."

This statute states the public policy of the State of Illinois as to the validity of contracts with criminals and clearly places no mandate upon the injured party to report the commission of a crime to the authorities. It is clear from the decisions interpreting the statute that contracts by which goods or property of the injured party are recovered or by which the injured party is compensated for the injury occasioned by the commission of an offense are valid and enforceable in the State of Illinois, provided the agreement was not grounded upon a promise, express or implied, to abstain from prosecution and to suppress or conceal the evidence. Neither the District Court nor the Court of Appeals found such an agreement in the instant case.

The general rule of law under the Illinois statute is clearly set forth in *Farmers National Bank* v. *Rosenkrans*, 240 Ill. App. 230, 236 (1926), as follows:

> "But it is not illegal merely to compromise the civil injuries resulting from a criminal act where it is not expressly or impliedly agreed that the prosecution for the crime is to be prevented or suppressed and a note given in consideration of moneys embezzled is valid and enforceable, there being no agreement to conceal or suppress a prosecution for the offense. 3 R. C. L. 958. The true rule seems to be that notwithstanding the pendency of criminal proceedings against a wrong-

doer one whose money or property has been fraudulently obtained may contract for repayment of the money or satisfaction for the loss sustained and take security therefor, without invalidating the contract, unless there be included therein, as a part of the consideration therefor, some promise or agreement, express or implied, that such prosecution shall be suppressed, stifled or stayed. *Northfork Board of Education* v. *Angel*, 75 W. Va. 747, 84 S. E. 747, L. R. A. 1915E 139."

In the present case respondent entered into the agreements to secure its property to which it was justly entitled, to wit, its exclusive property rights in the Zimmerman wrench inventions involved in the interference. The Larson application, however, was not received by respondent as property which had been taken from it. That application was received only in consideration of the right which respondent gave petitioners to make additional wrenches in lieu of royalties and of the release given by respondent to petitioners as to all civil damages. Respondent, in so entering into the agreements, did not therefore violate public policy and its conduct in entering into the agreements and failing thereafter to report the matter to the authorities did not constitute unclean hands. What respondent did was fully within the expressed public policy of both the State of Illinois and the United States.

THE PARTIES ARE NOT IN PARI DELICTO AND, TO SUSTAIN THE DEFENSE OF UNCLEAN HANDS, WOULD GIVE COUNTENANCE TO THE REPREHENSIBLE ACTS AND CONDUCT OF PETITIONERS.

The Courts have consistently applied the rule of "moral estoppel" to prevent one from profiting by his own wrong, particularly where, in comparison with the conduct of an-

other, to so do would countenance morally reprehensible acts and result in greater offense to morals, good conscience and public policy. A court will not aid a litigant in the promotion of fraud and, where good conscience requires it, will apply the rule that where the parties are not *in pari delicto*, relief should be given the one that is comparatively innocent. It is almost axiomatic that a Court under such circumstances will not invoke a maxim of equity to defeat equity.

In this case the petitioners seek to void their obligations under the agreements and also to invade respondent's patent rights by relying upon their own reprehensible and immoral conduct. To bar respondent on the ground of unclean hands would result in fostering and furthering petitioners' nefarious scheme of depriving respondent of its exclusive rights under the inventions involved herein.

The Supreme Court of Wisconsin, in *In Re Wilkins Estate*, 211 N. W. Rep. 652, 655-6 (1927), made it clear that the sustaining of the defense of unclean hands in a case like this would have the effect of defeating the purpose of all law. The Court said:

> "The equitable doctrine that a man shall not profit by his own wrong dates back centuries in the history of the common law, and is as old as equity itself. It is recognized, as far as we are able to determine, in the laws of all civilized communities. It lies at the foundation of every religious faith, and may be said to be one of the corner stones of the Christian religion. It is vitally essential to the administration of justice, and a careful search of our Statutes fails to reveal that it was ever modified or abrogated. It therefore exists at the present day in Wisconsin, with all the force which it possessed throughout the ages, and this court, in holding as it does in this opinion, does not entrench upon the legislative field, but, on the contrary, its holding is in harmony with the spirit and

intent of the Legislature. *No system of laws permits a criminal to profit by his own crime, for, if this were so, the very object of all law would be subverted.*"

In *Harris* v. *Harris et al.*, 93 So. Rep. 841, 844 (S. C. Ala. 1922), it was said:

> "To deny relief in these circumstances would allow the maxim to work injustice and wrong (21 C. J. 187, sec. 172)—to the extent, at least, the execution of the agreement exceeded the purpose of complainant—and given countenance to the morally reprehensible arrangement between defendant and the proponent legatees *would result in still greater offense to morals, good conscience, and public policy.*"

The following statement, found in *Boston & Worcester R. R. Corp.* v. *Dana*, 67 Mass. Rep. 83, 99 (1854), is also pertinent:

> "Nor can it contribute to the purity of the administration of justice, or tend to promote private morality, to suffer a party to set up and maintain in a court of law a defense founded solely upon his own criminal act."

The decision of the Court of Appeals of the Seventh Circuit in *Feist, Inc.* v. *Young*, 138 Fed. (2nd) 972, is precisely in point. There the Court, in holding that plaintiff was not guilty of unclean hands by failure to comply with the Wisconsin statute relating to copyrights, stated (pp. 974, 975):

> "By refusing to grant plaintiff's prayer, the District Court not only deprived plaintiff of its copyright, but in effect gave judicial blessing to defendant's confiscation of it. Since equity seeks above all else to do justice, we cannot agree that a court should supinely sit by while such unlawful appropriation occurs.
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> . . . . . .

"In our view, a rule of equity should never be applied if its application results in injustice, which would result here if plaintiff were not allowed to enforce its congressionally bestowed right to prevent unauthorized use of its copyright. True, plaintiff failed to comply with the Wisconsin statute. But the rule is not inexorable that a plaintiff who comes into court with unclean hands is always to be denied relief, regardless of other circumstances in the case; for, if the defendant has been guilty of conduct more unconscionable and unworthy than that of the plaintiff, the rule may be relaxed. *Goodyear Tire & Rubber Co.* v. *Overman Cushion Tire Co.*, 95 F. 2d 978, 983."

The courts of Illinois are in accord with the foregoing rule of law. In *Woodall* v. *Peden et al.*, 274 Ill. Rep. 301, 306 (1916), the Supreme Court, in reversing the lower court, said:

"If, however, the parties are not in pari delicto, equity may give relief to the one that is comparatively innocent. The court does not so much concern itself with the fortunes of the parties, or either of them, as it does with public policy that such contracts shall not be made and that no one shall take any advantage from the making of them, provided the conduct of either has been such as to receive consideration. The court will allow the remedy, not for the sake of the party who makes the objection but on grounds of public policy. (Pomeroy's Eq. Jr. secs. 402, 929.) *The evidence justifies a belief that the complainant, who was protesting his innocence, submitted to the demands of his wife quite unwillingly and was comparatively without fault."*

Further, in *Kapalos et al.* v. *Ganas et al.*, 242 Ill. App. 302, 306-7 (1926), the doctrine was fully stated as follows:

"It is a maxim of equity 'that he who comes into equity must come with clean hands' and where complainant does not come into equity with clean hands

he will be given no relief. *This rule of equity, however, has its limitations and does not apply to every unconscientious act or inequitable conduct on the part of a complainant. It will not always be applied where the parties are not in pari delicto.* This principal is founded mainly upon motives of public policy and in such case 'the court may give relief against the improper transaction, or may even enforce the obligation arising from the tainted agreement, at the suit of one of the parties thereto • • •. *Assuming that a contract is fraudulent or against public policy, or illegal, still, where the parties to it are not in pari delicto, and where public policy is considered as advanced by allowing either, or at least the most excusable of the two, to sue for relief, relief may be given to him, either against the transaction by setting it aside and restoring him to his original position, or even, in some cases, by enforcing the contract, if executory.*' Section 403, 1 Pomeroy on Equity Jurisprudence (4th Ed.). So in the instant case we are of the opinion that while the complainants were parties to the scheme agreed upon for the pretended foreclosure of the chattel mortgage, yet we are clearly of the opinion that complainants are the most excusable; that the scheme was originated by the defendant, Ganas, and the court found that the other defendants were also involved. *It would certainly be a harsh rule that would deny relief to complainants in the instant case where such rule would permit the defendants to obtain benefits from the most glaring fraud.*"

THE CONDUCT CHARGED TO CONSTITUTE UNCLEAN HANDS DOES NOT RELATE TO THE SUBJECT MATTER IN ISSUE.

It is the rule of this Court that conduct charged to constitute unclean hands must have been in regard to the subject matter in litigation and must have affected the equitable rights between the parties to the litigation. In

Keystone Driller Co. v. *General Excavator Co.*, 290 U. S. 240, 245, the rule is stated as follows:

> "But courts of equity do not make the quality of suitors the test. *They apply the maxim requiring clean hands only where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation. They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.* Story, *id.*, § 100. Pomeroy, *id.*, § 399. They apply the maxim, not by way of punishment for extraneous transgressions, but upon considerations that make for the advancement of right and justice."

The Court of Appeals for the Seventh Circuit applied the same rule in *Feist, Inc.* v. *Young*, 138 Fed. (2nd) 972, 975, 976, stating:

> "The authorities cited by the District Court are not controlling here because the conduct of the plaintiff in them was fraudulent and directly connected with the issues being litigated, whereas here plaintiff has not been guilty of any inequity, unconscionable act, or wrongdoing towards the defendant. Neither has it misrepresented its musical work, which forms the basis of this action, or the copyright thereof, either to the defendant or to the public.
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> * * * * *
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> "The Wisconsin statute is not to be interpreted as precluding enforcement of rights bestowed by federal law in the federal court. This is not to say that plaintiff may not be held responsible to the State of Wisconsin for violation of its duly enacted statute. *But the statute is not relevant or material to the issue as presented by the complaint.* The complaint charges

infringement, and since infringement is admitted, relief should be granted.

• • • • • •

"So here, plaintiff's failure to secure a license was an offense against Wisconsin of which it alone could take cognizance; *and plaintiff's dereliction in this regard in no wise prejudiced the defendant or justified him in confiscating plaintiff's property. We think the clean hands maxim should be applied only where it promotes right and justice, not by way of punishment for extraneous transgressions.* See *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, 245 [19 U. S. P. Q. 228, 230]; *Ohio Oil Co.* v. *Sharp*, 135 F. 2d 303, 307; *Chicago* v. *Union Stock Yards and Transit Co.*, 164 Ill. 224, 238."

The question of unclean hands is a matter for the application of local law (*Erie* v. *Tompkins*, 304 U. S. 64, *Ford* v. *Caspers*, (C. C. A. 7) 128 Fed. (2d) 884). The Illinois Courts follow the rule of this Court, as stated in *Carpenters' Union* v. *Citizens Committee*, 333 Ill. 225, 249-50 (1928):

"• • • The relation of the defendants to the alleged misconduct of the complainants was not different from the relation to it of the public generally. The complainants' acts of misconduct may have been violations of the criminal law, which might have been punished by public prosecution, but a court of equity has no power to punish the complainants for them by refusing to consider their complaints of other disconnected wrongs done to them by the persons affected by their criminal acts or of any wrongs done to them by other persons not directly affected by such criminal acts. *The rule that a complainant must come into equity with clean hands means that he must do equity as respects the defendant's rights in the particular matter of the suit.* (1 Pomeroy's Eq. Jur. sec. 307.) The rule does not go so far as to prohibit a court of equity from giving its aid to a bad or a faithless man or a

criminal. *The dirt upon his hands must be his bad conduct in the transaction complained of. If he is not guilty of inequitable conduct toward the defendant in that transaction his hands are as clean as the court can require.* (*Ansley* v. *Wilson*, 50 Ga. 421.) The acts of the defendants interfered with and injured the complainants in the enjoyment of their constitutional rights, and so far as the complainants were concerned no acts of theirs in any way affected any lawful right of such defendants as were not directly interested in the subject matter of the original controversy between the Associated Builders and the Building Construction Employers' Association on the one hand and the Carpenters' Union on the other."

The basis of the District Court's holding of unclean hands in the instant case was the failure of respondent and its attorneys to inform the authorities of their suspicions concerning Larson's perjury. It is manifest that, under the foregoing decisions, such failure bears no relation whatever to the issues of validity and infringement of the patents or to the issues of validity and breach of the contracts. The District Court made no finding that there was an agreement to conceal Larson's perjury, or not to inform the authorities. The Court of Appeals expressly found that "there is no merit in this contention" (R. 1222-23) that such an agreement existed. An agreement to conceal or suppress evidence of Larson's perjury must have existed in order to relate respondent's silence to the subject matter in issue.

With respect to the contract issues, how can it be said that the silence of respondent and its attorneys affects the petitioners' agreements to concede priority, or the right to make up six thousand wrenches, or the releases given, or the transfer of the Larson application as a substitute for actual payment of royalties and for the release, or the obligations on the part of petitioners not to infringe and not

to contest validity? Were respondent's rights under the contracts enhanced in any way by the silence? The answers must necessarily be in the negative. In fact, the only ones who have benefited under the contracts are petitioners, who now seek through their own sins to prevent respondent from obtaining any benefit thereunder.

As to the patent issues, the silence of respondent and its attorneys is clearly irrelevant. The silence in no way related to any act or thing going to the validity of the patents or to the question of infringement. Since Zimmerman was the prior inventor of the interference subject matter and, therefore, entitled to the patents thereon, and the Larson patent issued on an addition which Larson did invent, the undisclosed evidence of Larson's perjury has nothing to do with the validity of those patents. Further, the question of infringement involves only the interpretation and application of the patent claims to the accused structure and is unrelated to the respondent's silence. Respondent, therefore, by its silence, gained no advantage over petitioners or the public generally with respect to the Zimmerman or Larson patents.

A fair inference from the trial court's findings is that, if respondent and its attorneys, either after securing the Thomasma affidavit or entering into the contracts of December 20, 1940, had informed the authorities of their suspicion of Larson's perjury, respondent's causes of action would not have been infected with unclean hands. This in itself emphasizes that respondents alleged misconduct "has no immediate and necessary relation"—quoting from the *Keystone* case—to the present issues in suit.

This Court had an entirely different set of facts before it in applying the above-quoted rule in the *Keystone Driller* case, 290 U. S. 240. In that case there was a direct relationship of the alleged misconduct to the issues because the

plaintiff had brought up and concealed prior use evidence as to one of the patents in suit. The patents had been found valid and infringed in a prior suit, and, in the subsequent suit, which came before this Court, plaintiffs were making use of the decree and opinion of the court in the prior suit and thus were attempting to perpetuate upon the Court a fraud which had been perpetrated upon the first court. In the instant case, as we have already shown, the situation is in no way comparable.

A well established corollary rule is that where the alleged misconduct arose after the transaction, it stands in an unrelated position. An Illinois case directly supporting this view is *Fagan* v. *Rootberg*, 320 Ill. 586, 596, (1926), wherein the Court said:

> "In this case we have seen that the contract was understandingly and fairly entered into, and, so far as anything is shown by the evidence, is a fair contract in all particulars [admittedly so in the instant case]. Under its terms, leasing or occupancy of the various apartments could be had only with the approval of the vendees. The attempt to lease to Reback the apartment desired by the vendees did not meet with their approval. No rights or liabilities therefore arose concerning such attempted lease that in any way affected the vendors or the contract of sale. By reason of the right of the vendors to have the rental of the premises up to May 1, 1923, the occupancy of this apartment by the vendees was to the vendors' advantage rather than their detriment. The act of the appellants in nowise affected the rights of the Rootbergs under the contract or depreciated in value the thing they were to receive thereunder. Moreover, the bill in nowise rests on any advantage secured to the appellants by taking possession of the apartment. Such possession, though it be conceded to be wrongful, in nowise affected the equitable rights or relations of the parties under the contract. The maxim contended for does not apply."

CONCLUSION.

It is respectfully submitted that the decision of the Court of Appeals should be affirmed, inasmuch as it correctly appraises the factual situation substantially in consonance with the District Court's strict fact findings, materially disagreeing only in its conclusion drawn from the facts, and so does not run counter to the Rule 52 in any respect. Its ruling on credibility accords with that of the District Court whose Memorandum, filed with the findings of fact and conclusions of law, has not been improperly given effect on this subject or any other as by contravening any fact finding, but has simply been accepted by the Court of Appeals as ruling the question of credibility. Aside from this, the irreconciliability in point has no relation to the one issue upon which the case turned below, to wit, that of whether respondent's hands became unclean by reason of silence. We should not suppose that other issues would be reviewable, especially those raised by the petitioner Snap-On as to validity of the contracts considering that its complaint was dismissed and it took no appeal. However, we have endeavored to deal with all issues to which the evidence of record pertains, and we submit that on each and every such issue respondent is entitled to prevail.

Respectfully submitted,

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